# Pre Investment Cap Table Template - How to Excel in Stock Options Trading

An Pre Investment Cap Table template can be of great help to all shareholders. It is used in the calculation of the cost of capital and makes things easy for all shareholders to understand. Basically it shows the total returns that the investor can expect from his whole investment. This table also gives a break up of the investments so that the shareholders may have a fair idea of the allocation of their money. There are various ways through which an investor can calculate the cost of capital.

One such method is to calculate the cost of capital by taking the net profits that would accrue from the sale of all the outstanding shares of the company i.e. all the stocks x 100. This is called the Net Present Value of the investment. This can be calculated by various ways like the reinvestment method, the reinvestment plan, and the life cycle method. The investors can choose any one of these methods so as to calculate the value of the shares as per their present value.

The other way of calculating the cost of capital is to use the Net Present Value of the discounted cash flows i.e. the excess of the Net Present Value over the amount of cash paid or the tenure of the investment. Using this method the shareholders can determine the exact amount of the cap table or the cost of capital. They should however, consider the dividends that they would receive from the company after any profits are added in the equation. Also the investors should keep the total number of shares that have been issued and the number of years that has elapsed e.g. sixty five years for the purpose of determining the discount rate of the investment.

Two12 of calculating the cost of capital through a pre investment cap table would be to take into account the number of units issued for every million dollars of equity capital invested. Two12 should be divided by the average price of each share that has been issued during the period i.e. six months at the average price of each share per year. The resulting figure would then be used to determine the discount of the investment. This should be taken into account because the discount that is applied to the capital thus results in an effective tax reduction that would be beneficial to the investor.

Using a cap table template would help the investors to determine the amount of the dividends to be paid and the effect that it would have on their payouts to the shareholders. In most cases, one place where the inclusion of such a model can result in a significant discount to the investors profits is in the case of a leveraged buyout. This occurs when an owner of a business that is leveraged buys an existing operation for less than its fair market value and then re-fees the operation by issuing more equity for the same amount. In order to ensure that all the shareholders are paid in a timely manner, this type of transaction must be done in one place. With a cap table, the valuation of the existing operations can be used in order to determine the amount of the dividend that would be paid and this process would go on as long as the cap table is in effect.

Another advantage of using a template or cap table template in one's investment decision making process is that there is no need to estimate the value of the shares that will be issued in the deal since the computation is already done. The valuation of the shares can be estimated by various methods. One method is the use of the blue chip companies that has a proven track record of dividends that is regularly paid. In order to make sure that the shareholders are actually getting the right return on their invested money, it is best to base the valuation on the outstanding shares and not the current value of the shares.

This would require one to do some research in order to come up with accurate values. For instance, the value of the shares can be derived from the price per share (PPC) in the last trade for every stock listed on the EQV. The calculation can also be derived from the PEG ratio which is the annualized earnings per share rate of the corporation. The efficiency of the cap tables and the application of the equity value models would depend on how precise the data that is provided are. If this information is inaccurate, then the investors will have a hard time in coming up with the right price. More often than not, these errors lead to costly mistakes especially if investors want to use the equity model in their investment decision making process.

Thus, it is important to come up with the right valuation of the stock options that they are going to buy. Using the equity model would help them in arriving at the right price. But then, it is also important to compare the price of the stock options with the actual stocks that would help them come up with accurate figures. However, if the trader wants to ensure accuracy, then he or she should always take a look at the historical data of the company before actually purchasing the shares. This would help them in maximizing the benefits that they will get from the purchase of the equity.